



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **HB 215** HLS 09RS 15
Bill Text Version: **RE-REENGROSSED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: June 9, 2009	12:46 PM	Author: HUTTER
Dept./Agy.: Economic Development / Revenue		
Subject: Tax Credit For Port Infrastructure Investments		Analyst: Greg Albrecht

TAX CREDITS

RR DECREASE GF RV See Note

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Creates the Ports of Louisiana Investor Tax Credit

The bill grants transferrable tax credits against income taxes equivalent to 5% per year of the capital costs associated with qualifying port infrastructure projects, for a twenty-year period (essentially reimbursing total costs over 20 years). Projects must be at least \$5 million in size and constitute industrial, warehousing, or port and harbor operations and cargo handling. Projects expenditures are to be certified by the Department of Economic Development (LED) and credits can not be applied against a tax liability or transferred until certified. Unused tax credits can be carried forward for 10 years. Adds the section of law created by this bill (R.S. 47:6035) to the list of exceptions to the public records law.

Effective until January 1, 2015 and no tax credits shall be granted after that date.

EXPENDITURES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	\$0	DECREASE	DECREASE	DECREASE	DECREASE	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

While the bill explicitly prohibits LED from hiring additional employees to implement this new tax credit program, additional costs will still be incurred. The number of participating projects may be fairly small, but depending on that project count and the degree of review carried out by LED , this new program and/or other responsibilities of the department may be delayed. The DOTD must also inspect the projects and verify expenditures. This may be done in conjunction with regular port priority program activities. Additional costs in both departments combined could exceed \$150,000 per year (2 position equivalent).

REVENUE EXPLANATION

The state’s annual tax credit exposure resulting from this bill can not be determined with a reasonable degree of confidence, but could be substantial. Data on historical baseline investment activity by project size and public vs. private financing is not readily available. In addition, investment activity in general and with regard to any particular type is inherently volatile and uncertain. Finally, the bill gives DED discretion to evaluate projects for eligibility and to certify expenditures that generate the tax credits.

The Department of Economic Development obtained some aggregate investment information from the DOTD ports priority program, the Port Association of Louisiana, a port consultant, and some individual ports. From these contacts they report that potential qualifying investment spending could range from \$40 million to \$65 million per year. A 5% credit granted for 20 years for each year of this level of investment would generate \$2 million - \$3 million per year of new and accumulating tax credits. Tax credits would grow by this amount each year, generating increasing annual revenue losses.

However, it seems unlikely that credit exposure of those amounts would occur in an actual program. Some projects would not likely qualify based on size or other conditions developed in the rules of the program, and much will depend on how strictly LED administers the program. Advocates for the bill suggested \$10 million to \$15 million per year of likely investment participation, generating \$500,000 - \$750,000 per of new accumulating tax credits. Tax credits would grow by this amount each year, generating increasing annual revenue losses.

No revenue losses are likely during FY10, as the program starts up, but projects already in process may qualify and generate losses as early as FY11.

While state credit exposure is likely to be less than the LED estimate above, investment activity involving industrial, warehousing, and port & harbor infrastructure is still likely to generate substantial credit exposure and realizations. Revenue impacts are likely to be relatively small initially but, as projects generate tax credits over the 5-year life of the program, revenue losses accumulating in later periods may be several million dollars per year.

Senate	Dual Referral Rules	House	
<input type="checkbox"/> 13.5.1 >= \$500,000 Annual Fiscal Cost		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost	
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease	H. Gordon Monk Legislative Fiscal Officer